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## **Effective Management of Natural Resource Wealth for Job Creation**

By

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The views expressed are those of the author and do not necessarily reflect  
the views of UNCTAD.



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## Effective Management of Natural Resource Wealth for Job Creation

UNCTAD Global Commodities Forum 2018



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# Overview

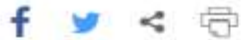
- **Direct job creation** (in the extractives sector itself)
  - (automation, local content, gender equity, investment)
  - **Indirect ('Induced') job creation** (in the wider economy)
  - (policy + use of resource revenue to create jobs)
  - **Main message:** Since direct job creation (in the sector itself) often limited, need to: (i) encourage investment (ii) maximize indirect job creation (iii) manage risks
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# Extractives for Development

[www.wider.unu.edu/project/extractives-development-e4d](http://www.wider.unu.edu/project/extractives-development-e4d)



Extractives for  
development (E4D)



This is part of the ['Macro-economic management \(M-EM\)'](#) project.

## TEAM

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Natural resource wealth has often turned out to be a 'curse' rather than a 'blessing' for developing countries. Growth based exclusively on natural resources—such as oil, gas, and minerals—is often of a very narrow kind which lacks opportunities for including the poor. This condition—also called 'the natural resource curse' is on the focus of this project.

## Management is key to turning curse into blessing

Natural resource wealth needs to be carefully managed if inclusive growth is to be achieved in low- and middle-income countries. Natural resources can also negatively affect the democratic process—the sector has often been associated with corruption and the non-transparent use of resource revenues for private gain instead of national development.

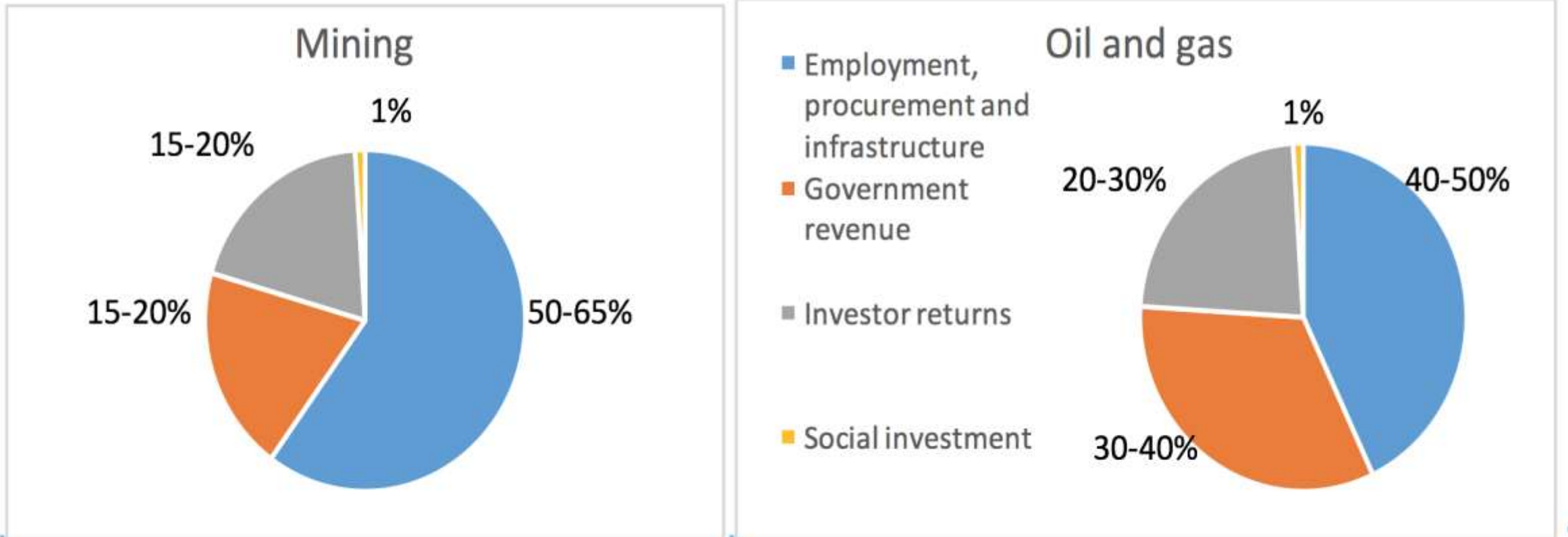
The project focuses on the implications of natural resources and their management for economic development—aiming to find ways in which resource wealth could be managed successfully in developing countries; for instance by using the revenues from oil, gas and minerals for development



# Job Creation & Local Content

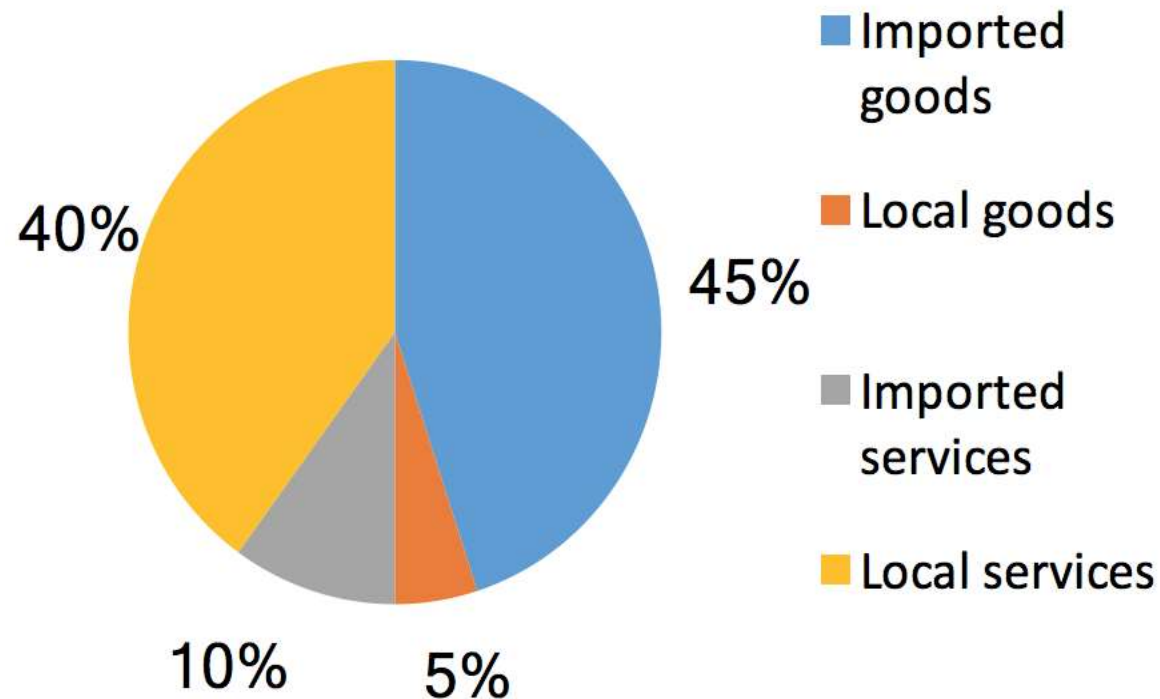
- **Sector:** Industrial mining, oil & gas – **low-labour intensity** & increasingly less labour-intensive (automation). **Encourage Investment** (tax, regulations etc)
- **Local Content:** Supplies to Mines, Oil Wells. **Direct imports** (no direct linkages to local economy) v **Domestic Procurement** (local value addition from low to high (best for jobs/skills <-> wages))
- **Key:** industrial/tech capacity; funding (especially SMEs); market information; skills (especially Africa); regulations; infrastructure (esp. reliable power)
- **Innovation in Local Content:** Vale (Brazil); LCD (Zambia); Anglo Zimele (S.Africa)
- See: See Olle Östensson 'Local Content, Supply Chains and Shared Infrastructure'. In Addison & Roe (Forthcoming 2018) Extractive Industries (OUP)

# Average Distribution of Spending in Extractives Projects



Source: Olle Östensson 'Local Content, Supply Chains and Shared Infrastructure'. In Addison & Roe (Forthcoming 2018) Extractive Industries (OUP)

# Shares of Total Procurement in Mines in Developing Countries (%)



Source: Olle Östenson 'Local Content, Supply Chains and Shared Infrastructure'. In Addison & Roe (Forthcoming 2018) Extractive Industries (OUP)

# Fiscal Dimensions

- **Resource revenues: invest** in (i) raising local content, esp. skills (ii) economic diversification (iii) renewable resources underpinning agriculture, tourism (iv) social protection/services & the ‘care economy’
- Manage **revenue volatility** (‘fiscal buffers’) to protect key development & pro-poor spending. Manage **FDI flows** (regulations, tax etc.)
- Avoid **macro-economic instability** (job/income losses)
- Avoid **debt traps** that absorb public revenues & threaten jobs/incomes



# Low Income Countries: Share of Non-Concessional Finance



# Headwinds & Tailwinds

- **Headwinds: Fossil Fuels** – Climate Action. Rapid fall in Renewables cost. Coal especially vulnerable (Other headwinds: “trade wars” => hit global economy)
  - **Tailwinds: Metals & Minerals** – demand from manufacturing renewable-energy technologies (+ power distribution) & EVs => **low-carbon pathways**
  - Policymakers need to watch the longer-term horizon (market **trend** inc. risk of ‘stranded assets’ ) as well as the immediate horizon (market **volatility**)
  - **Capacity**: create national ability to provide **data & analysis** (to assist governments, legislatures & citizens) to maximize job-creation directly & indirectly from extractives sectors (achieving gender equity, poverty reduction)
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